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The fall of Shanghai to Japan in 1937 and of the rest of the East China Region the following year created a new situation for the Communists. They had become experts at guerrilla warfare in the countryside, and the Party seized the opportunity of the war to establish guerrilla bases in the rural areas where neither the Kuomintang nor the Japanese exerted any real control. At the end of 1937, remnants of the former soviets in Fukien and Kiangsi became the nucleus of the New Fourth Army. Largely Communist-led, it was sanctioned by the Chungking Government to operate in the area against the Japanese. Suspecting with good cause that the Communist leadership was at least equally interested in laying the groundwork for a post-war comeback as in fighting the Japanese, the Central Government ordered the army to move north of the Yangtze River at the end of 1940. While the army was enroute, it was attacked by Kuomintang troops in January 1941. The action resulted in heavy casualties, capture of the army commander Yeh T'ing, and the end of what little co-operation had existed between the Kuomintang and Communist parties.⁵¹

51. See Linebarger, op. cit., pp. 110-21, Gunther Stein, The Challenge of Red China, New York, Whittlesey House, McGraw-Hill Book Co., Inc., pp. 20-21, 314-15, and Agnes Smedley, Battle Hymn of China, New York, Alfred Knopf, 1943, pp. 247-398.

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726 Following this incident, the Central Government disbanded the New Fourth Army, but it continued to operate and expand under Communist aegis in the East China Region and west of it along the Yangtze River until the end of the war. The army functioned not as a unit but as a collection of separate bands maintaining scattered rural bases isolated from one another by Japanese forces concentrated in the cities and communication centers. In Shantung and northern Chekiang, a similar pattern of Communist operation was effected by the Communist Eighth Route Army from 1938 on.⁵²

The nature of these armies' existence and lack of independent finances necessitated that the guerrilla forces cultivate close relations with the people. They were encouraged to participate in Communist-sponsored local governments.

Rents due absentee landlords were suspended; taxes on the poorer peasants were lowered; and producer co-operatives were organized for the benefit of the armies and

52. See Stein, op. cit., pp. 324, 328-30, and map facing p. 458.

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● 726 local population. 53

669 E. Victory of the Communist Party

At the end of the war, Communist forces were scattered throughout the East China Region with the exception of southern Chekiang and Fukien. These troops immediately began to expand their areas of control by accepting the surrender of Japanese occupying forces and came into conflict with Kuomintang troops bent on the same mission. Central Government orders to the Communists to desist in this operation had no affect, and a full-scale civil war was soon in progress throughout China. 54

A Kuomintang offensive from July 1946 to July 1947 drove the bulk of the Communist

53. See Linebarger, op. cit., pp. 116-23, 159-75; Stein op. cit., pp. 333-41; and U. S. Office of Strategic Services, The Guerrilla Front in North China, Washington, D.C., 1943 pp. 14, 20-21.

54. The names, dates, and campaigns connected with the Communist victory are largely taken from a Communist source, which is accurate in regard to these facts insofar as can be determined by checking against other, scattered sources: Liao Kai-lung, From Yen-an to Peking, Peking, Foreign Language Press, 1954, pp. 3-4, 8-11, 15, 16, 18, 21, 32, 36-38, 49-54, 60-65, 89-91, 101-04, 107.

687 is a term used to describe members of the Nationalist armed forces, officials of that government, and foreign and Kuomintang spies. The remnant forces of the Nationalist armed forces, particularly those in the provinces of Chekiang and Fukien, were the first target of the "bandit" extermination campaign in 1949-50. The Nationalist troops under the former governor Chou Lei in Chekiang and Nationalist units in Fukien were driven away from the Mainland during 1949-50. It was reported by the Communists¹⁷ that 10,000 members of the Kuomintang forces withdrew to the off-shore islands

687 in 1950. Following the evacuation of the Main-
• 726 land, the Nationalists launched a series of assaults along the coast. During 1950, as announced by the Communists, Nationalists made 209 coastal assaults in the East China Region.¹⁸ Guerilla fighting on the Mainland increased in 1951; the Nationalists on Formosa estimated¹⁹ that 1,074 "battles" were fought by guerilla forces throughout the nation in that year. After 1952, coastal assaults seemed to decrease; Nationalist sources reported²⁰ a

17. Su Yu's report, ibid., Nov. 27, 1951, p. 1.

18. Li Shih-Ying's report, ibid., March 18, 1951, p. 1.

19. China Handbook 1952-53, Taipeh China Publishing Company, 1953, pp. 191-93.

20. China Handbook 1954-55, 1955, pp. 263-65.

- 687 total of 444 engagements on the Mainland
- 726 throughout 1953. Recent reports made by deputies of the National People's Congress before the Second Session of the National People's Congress in July-August 1955 indicated the existence of a number of underground forces operating in the province of Chekiang.²¹ These units were identified as "Kiangsu-Chekiang Jen I Anti-Communist Save-County Column," "Chekiang People's Chung I Anti-Communist Save-County Column," "Chinese Anti-Soviet Anti-Communist Chung I Save-the-Country Corps" and so on. Although their size is small, their increasing activities do pose a threat to the Communist regime.

687 3. Nationalist Spies. Communist effort toward the extermination of Kuomintang intelligence workers was most thorough in East China, particularly in Shanghai. In 1949-50, some 2,000 espionage cases were reported in the East China Region, and more than 10,000 people were arrested.²² In Shanghai alone, 900 espionage cases were reported and more than 4,000 people, accused of being Kuomintang intelligence workers, were arrested.²³ In

21. People's Daily, July 4, 1955, p. 3.

22. Liberation Daily, Nov. 21, 1950, p. 1.

23. Ibid., April 19, 1951, p. 2.

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firms continued to operate, but under difficulties, and they could not handle more than a small fraction of the normal volume of trade on the river. As a result, sales of piece textile goods in Shanghai had fallen by January 1927, to one quarter of their August levels. The kerosene trade out of the city was badly hit, and large stocks accumulated in warehouses. Imports of Chinese tobacco leaf to Shanghai virtually ceased by January, and forced the closure of several of the large cigarette factories. Egg imports to the city in January were less than 30 per cent of normal. By the end of 1927, with order restored in the Yangtze basin and navigation no longer interfered with, Shanghai's trade with its hinterland returned to normal levels. Both railway lines serving the city remained in regular operation for all but a few days during this period.⁸⁷

In November 1937, in order to hamper Japanese naval movements on the Yangtze, the Chinese Government placed booms across the river at Kiangyin and Chinkiang, and fighting in the delta area and upstream from Nanking further disrupted traffic. The value of Shanghai's foreign trade fell by 76 per cent between July (hostilities began at Shanghai on August 13, 1937) and December 1937, as much because of the interruptions in transport as because of the local fighting, which ended at Shanghai itself in October. During the same period, the total value of the foreign trade of China as a whole decreased by only 2 per cent. Shanghai's relative decline continued through 1938, with a 49 per cent decrease in imports and a 63 per cent decrease in exports over the 1927 figures, while for the same period the total foreign trade of China increased by 8 per cent.⁸⁸ With its water connections disrupted, Shanghai could no longer compete commercially with rival centers, which despite the progress of hostilities over nearly the whole of east China by the end of 1938 increased the total of their trade at the expense of Shanghai.

But the disruptions of war should not obscure the fact that the Yangtze basin is the economic heart of China, nor that its river system will continue to be a basic element in China's transport pattern. The city at the mouth of the river will remain a metropolis under whatever conditions the future or the Communist Government of China may impose.

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